



DEPARTMENT OF ENTERPRISE SERVICES

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POWERS, DUTIES AND FUNCTIONS

The Department of Enterprise Services (DES) operates and maintains the Neal S. Blaisdell Center, the Waikiki Shell, the Honolulu Zoo, and the six municipal golf courses. The department also coordinates the preparation, administration and enforcement of citywide concession contracts. As structured, DES enhances the City and County of Honolulu's ability to focus on revenue generating opportunities and create operational synergies with a unique "bottom line" business orientation.

HIGHLIGHTS

Economic factors and unusually inclement weather provided a variety of challenges to city-wide revenue-oriented activities in fiscal year 2006. DES met these challenges in ways unique to its operations. The department's fiscal year 2006 accomplishments included initiatives to increase city revenues, revitalize downturns in attendance and facility usage, and incorporate resource conservation and cost efficient improvements at department-wide facilities.

Consistent with DES' mission — *to manage and market a diversity of community oriented facilities and services for the use and benefit of the public; supporting cultural, recreational and educational opportunities and events on a self-supporting basis* — the department continued to balance its focus on revenue generation and public service.

ADMINISTRATION

The administration activity directs and coordinates the programs and operations of the Department of Enterprise Services' four divisions: the Building Services Division, the Customer Services Division, the Golf Course Division, and the Honolulu Zoo Division. This activity provides staff and clerical support services in personnel, budgetary and organizational management and focuses department-wide energies on the maximization of revenues and the optimization of fiscal and manpower resources.

During fiscal year 2006, the concessions management function was transferred from the Customer Services Division to the administration activity, thereby improving concession oversight and management. New concession activities were added, including the Lion's Pride Café at the Blaisdell Center Concert Hall and a contract for advertising in the Blaisdell Center parking garage. A thorough review of the Waikiki surfboard locker operations is underway. The department has drafted a bill to establish rules and structure fees to improve management and revenue streams from the surfboard locker operations.

Guided by the Hannemann administration's mission statement — *Fiscal accountability and integrity...providing essential public services in the most efficient manner...honest and open relationships with our co-leaders and fellow employees in government...creating solutions to the challenges we all face...enhancing our quality of life...and, above all, serving the people of the City and County of Honolulu, our home, with pride and the spirit of aloha*, the administration activity will continue to pilot changes to increase the effectiveness and efficiency of department-wide operations and improve customer service.

During the coming fiscal year, the administration activity will continue its commitment to the efficient and effective provision of public services and the progress of operations under its purview towards self-sustainability. Department-wide fees will be reviewed and revenue enhancement proposals will be developed and introduced. Measures to encourage efficiency and operational cost savings will also be pursued. Key budget initiatives will focus on obtaining needed resources for our operations: filling needed positions, repairing aging facilities and replacing antiquated equipment. The administration activity will also vanguard a proactive approach in marketing the various DES facilities and services.

BUILDING SERVICES DIVISION

The Building Services Division includes two sections — Trades and Maintenance/Set-Up. The Trades Section provides journey-level trades support to the Blaisdell Center, the Waikiki Shell, the Honolulu Zoo, the municipal golf courses and designated city concessions. The Maintenance/Set-Up Section provides grounds keeping, event set-up, and custodial services for the Blaisdell Center and the Waikiki Shell and supplies general maintenance support for the various facilities managed by DES. During fiscal year 2006, the Maintenance/Set-Up Section also participated in the City's Brunch on the Beach and Rediscover Oahu initiatives. Staffing and equipment resources from this section helped to ensure the overwhelming success of these programs.

During fiscal year 2006, the Building Services Division improved the appearance of the Blaisdell Center and Waikiki Shell facilities and provided exceptional operational and maintenance support to the various divisions within DES. The maintenance program successfully completed 97% of work orders originated by the Honolulu Zoo, the municipal golf courses and designated city concessions. The Building Services Division continued to maintain the highest standards for workplace safety. The division's safety committee served as an effective watchdog for occupational safety and health issues and assisted in problem resolution. The organization passed all fire and safety inspections during the year.

With the objective of reducing costs and minimizing facility support systems downtime, the division continued to stress the value of firmly established preventive maintenance programs. These programs are also extended to the Honolulu Zoo and the municipal golf courses.

In addition to overseeing the capital improvement program and contracted repair and maintenance projects at the Blaisdell Center/Waikiki Shell, the division pursued projects with in-house resources, saving the City an estimated \$80,000 in outsourcing costs.

During fiscal year 2006, the employees of the Building Services Division continued their commitment to professional excellence and made every effort to sustain their fine reputation. For the sixth time in seven years, a representative of the Building Services Division was selected as DES' Employee of the Year. Jose Echiberi, auditoriums maintenance supervisor, will represent the department at the City's 2006 Mayor's Outstanding Employees Program. In addition, DES was proud to nominate Auditoriums Maintenance and Operations Superintendent Jay Wilkinson for the City's Manager of the Year award.

Concert Hall

From the maintenance, repair, and construction standpoints, the Concert Hall remained a center of activity in Fiscal Year 2006. Division preventive maintenance programs continued to be stressed for all facility support systems including lighting, electrical, plumbing, air conditioning and elevators. The refinishing of the entire wood stage was also completed as a division project.

Funding has been requested to address facility ADA requirements, replacement of the Concert Hall's sound system, and box office improvements.

Exhibition Hall

Since this facility is the most frequently used at the Blaisdell Center, the preventive maintenance needs of the Exhibition Hall are demanding and extensive. The elevators, standard lighting systems, emergency lighting battery bank, lighting dimmer system, air conditioning installations, plumbing systems, and exterior doors are routinely evaluated in accordance with an established schedule. Real time maintenance requirements are pursued in a timely fashion to preclude negative impacts on events and related revenue streams.

The professional repair of the moveable panel walls in the Hawaii Suites to correct operational discrepancies has been completed. Funding has been requested to replace the lighting system for the Hawaii Suites, and to support ADA initiatives. Monies have been appropriated to recoat the Exhibition Hall roof.

Arena

This multi-purpose facility continued to receive considerable attention throughout the fiscal year. Preventive maintenance programs were followed to help assure uninterrupted service for patrons. Electrical, plumbing, air conditioning, building lighting, and event lighting systems were evaluated before every event to preclude any inconveniences. Also, many of the high voltage components within the arena's two electrical vaults were either tested quarterly or maintained on an annual basis through qualified contractor support.

A contract has been awarded for the replacement of the arena's air conditioning system with construction expected to commence in early FY 2007. Work has also commenced on various upgrades in the arena to assure compliance with ADA standards.

Funding has been secured for the procurement of telescoping risers and portable staging for the arena. This system will reduce event set-up times appreciably and assure a notable increase in available event days for the facility.

Parking Garage, Center Ponds, and Parking Lots

Design and construction funding was authorized for the phased implementation of three parking garage projects addressing the repair of the garage's first floor columns; replacement of the gaskets in the garage's expansion joints; and repair of the structure's leaking flower planters. Design funds were programmed for a project to repair the effects of spalling which are evident at the edges of the Blaisdell Center's ponds.

Funding will be sought to correct the sink holes in the parking lot near the arena and to repave other selected portions of the Center's roadways and parking areas.

Waikiki Shell

The "Best of Honolulu" survey again honored this beautiful outdoor amphitheater as one of the finest concert venues on the island of Oahu. The Waikiki Shell's assigned maintenance staff always has the facility in top condition. They are

assisted in their endeavors by the trades section and the building and equipment maintenance team who take great pride in their work on behalf of the Waikiki Shell. Preventive maintenance schedules are followed without fail. During the past year, general maintenance initiatives included painting projects, refinishing the stage, and lawn irrigation improvements. As in previous years, landscaping improvements were pursued on a continuing basis. Planning is underway to replace the facility's sound system, selected roofs, fixed seating and fencing. Design funds have been allocated for ADA upgrades. The goal for all division efforts at the Waikiki Shell is to continue to provide the citizenry of Honolulu with the "best."

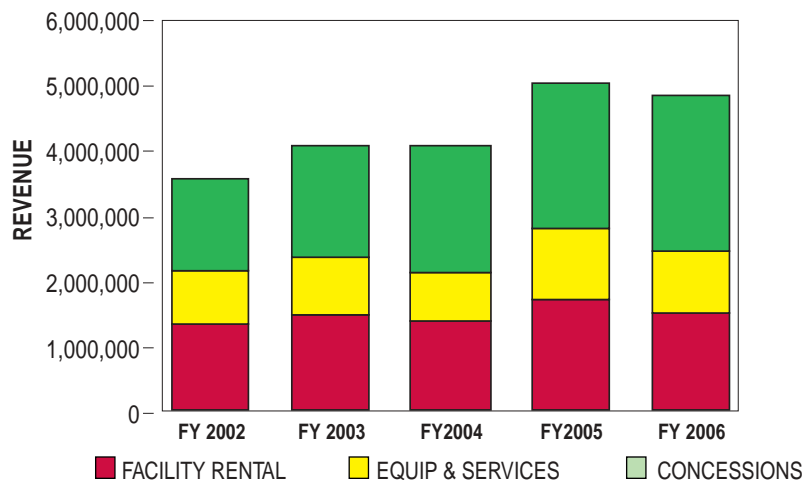
In fiscal year 2007, the Building Services Division will endeavor to provide excellence in service and facilities for the tenants at the Blaisdell Center and Waikiki Shell. Concerted efforts in preventive and real-time maintenance programs will continue for organization-wide facilities. Capital improvement program projects and contractual maintenance and repair initiatives will be closely monitored to ensure that department interests are addressed. As always, safety issues will receive constant oversight. Further, division operating costs will be pared to the extent possible in support of department efficiency objectives.

CUSTOMER SERVICES DIVISION

The Customer Services Division is the business heart of the Blaisdell Center and the Waikiki Shell operations. The Reservations and Sales Section rents the various facilities; the Productions Section directs the set-up and operations of the events and monitors ancillary services associated with the events (e.g., food and beverage, parking and novelties); and the Box Office Section sells all admission tickets for the events. The goals of the Customer Services Division are to offer a diversity of entertainment options for the community, to provide a public meeting place for community activities, and to increase revenues in support of the facilities of the center.

Fiscal year 2006 generated the second largest annual revenues in the history of the Center, surpassing \$4.8 million. The General Fund subsidy of Blaisdell Center and Waikiki Shell operations was reduced with the implementation of revenue enhancement bills aimed at increasing the flexibility of facility rent negotiations with major tenants, and incrementally increasing rates assessed to non-profit users to cover operating costs.

DEPARTMENT OF ENTERPRISE SERVICES BLAISDELL CENTER & WAIKIKI SHELL FIVE-YEAR REVENUES - FY 2002-2006



FIVE-YEAR REVENUE TREND FY 2002 - 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
FACILITY RENTAL	1,339,877	1,475,859	1,385,170	1,706,490	1,488,156
EQUIP & SERVICES	800,940	882,097	732,087	1,094,314	958,749
CONCESSIONS	1,407,910	1,710,450	1,943,459	2,228,175	2,393,552
TOTAL	3,548,727	4,068,406	4,060,716	5,028,979	4,840,457

During fiscal year 2006, the Blaisdell Center's multi-functional arena again show-cased some of the hottest touring artists in the music industry. The Eagles held four sold-out performances. The arena also featured performances by Loggins and Messina, Motley Crew, Tower of Power and Kanye West. Sports events featured mixed martial arts, college volleyball and basketball, and high school state championship wrestling. Family shows included the international lion dance competition and the World Wrestling Enterprises.

The concert hall showcased the Honolulu Symphony's classical Masterworks series and the well-attended Pops program featuring a variety of guest artists. The Hawaii Opera Theatre and Ballet Hawaii also staged memorable events at the Concert Hall. Comedic presentations featured the popular Charley Murphy, Jim Breuer, Mike Epps and Lewis Black. The



The Eagles Rock the Blaisdell Center Arena.



family-oriented presentations of Sesame Street Live and the Chinese acrobatic tour “Chi” rounded out a successful Concert Hall season.

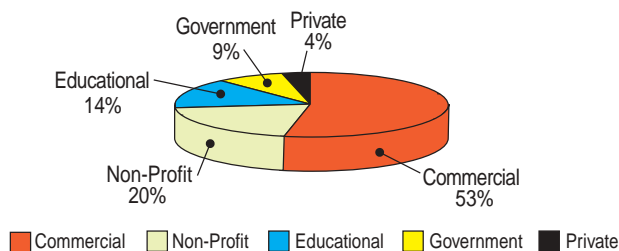
The Waikiki Shell featured perennial local favorites Hoomau, Bomb Bucha, the Jammin Hawaiians, the Brothers Cazimero, the KCCN Birthday Bash, and the carbo-loading luau for the Honolulu Marathon. A variety of musical artists including Jack Johnson, UB40 and Hootie and the Blowfish attracted concert-goers to share music under the stars.

The exhibition hall and central areas continued to generate revenues and community business, serving as an “on-shore” economic engine. There were over 40 commercial and trade show events scheduled in the exhibition hall during the year. A wide range of community-oriented events included well-attended college and career fairs, job fairs, senior fairs, and orchid and plant shows. Commercial shows included popular craft fairs, car shows, collectible shows, bridal expo, and home builders and remodeling shows.

In the coming fiscal year, the Customer Services Division looks forward to a stronger economy and the return of major touring events. The division will continue its efforts towards actively marketing the

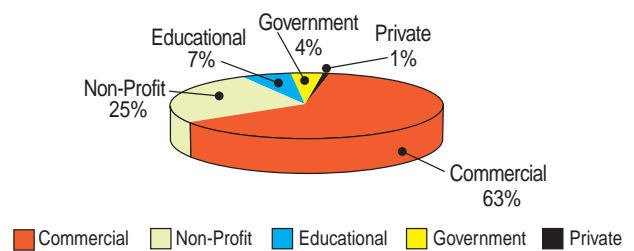
Blaisdell Center and Waikiki Shell facilities and improving services provided to the public.

**BLAISDELL CENTER / WAIKIKI SHELL USAGE
BY TYPE OF TENANT USAGE - FY 2006**



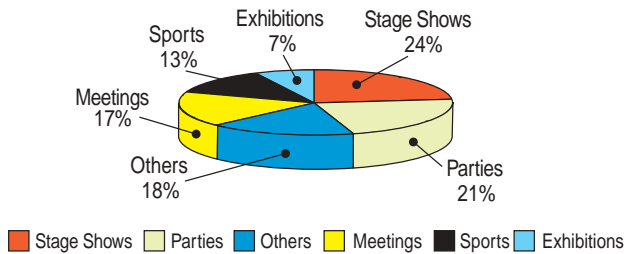
	#Events	%
Commercial	230	53.6
Non-Profit	85	19.8
Educational	60	14.0
Government	39	9.1
Private	15	3.5
TOTALS	429	100.0

**BLAISDELL CENTER / WAIKIKI SHELL REVENUES
BY TYPE OF TENANT - FY 2006**



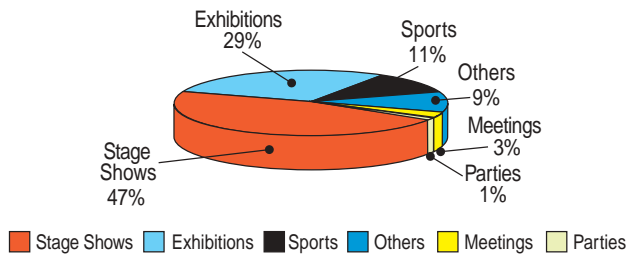
	Revenue	%
Commercial	1,547,433	63.9
Non-Profit	604,588	24.9
Educational	159,733	6.6
Government	92,436	3.8
Private	19,268	0.8
TOTALS	2,423,458	100.0

**BLAISDELL CENTER / WAIKIKI SHELL USAGE
BY TYPE OF EVENT - FY 2006**



	#Events	%
Stage Shows	104	24.2
Parties	91	21.2
Others	75	17.5
Meetings	74	17.2
Sports	54	12.6
Exhibitions	31	7.3
TOTALS	429	100.0

**BLAISDELL CENTER / WAIKIKI SHELL REVENUES
BY TYPE OF EVENT - FY 2006**



	Revenue	%
Stage Shows	1,137,490	47.0
Exhibitions	701,488	28.9
Sports	269,550	11.1
Others	209,575	8.6
Meetings	76,773	3.2
Parties	28,582	1.2
TOTALS	2,423,458	100.0

GOLF COURSE DIVISION

The Golf Course Division operates and maintains six municipal golf courses – five 18-hole golf courses (Ala Wai, Pali, Ted Makalena, West Loch, and Ewa Villages) and one nine-hole golf course (Kahuku). The division schedules golf tournaments and club play; accepts reservations for individual play via an automated reservation system; develops and enforces golf course rules and regulations; and collects and accounts for green fees, tournament fees, and golf cart rental fees. The division is also responsible for the operation of the power golf carts at the 18-hole courses and for the rental of pull carts and golf sets at Kahuku Golf Course. The Golf Course Division is responsible for renovating and maintaining the existing golf courses and for planning new municipal golf facilities. The division monitors golf course related food and beverage, driving range and pro shop concession contracts, and makes recommendations for concession contract specifications. The division also serves as a central reference source for the City and outside agencies on matters involving golf course operations and maintenance.

In its 10th year of operation, the automated reservation system continued to provide fair and equitable access for all golfers. Over 84,000 resident golfers are registered in the database. The system continues to improve with new hardware and updated software. Registration and photo identification cards continue to be issued bi-weekly at three municipal courses: Ala Wai Golf Course, Pali Golf Course and Ted Makalena Golf Course. Over 4,100 new golf identification cards were issued in fiscal year 2006.

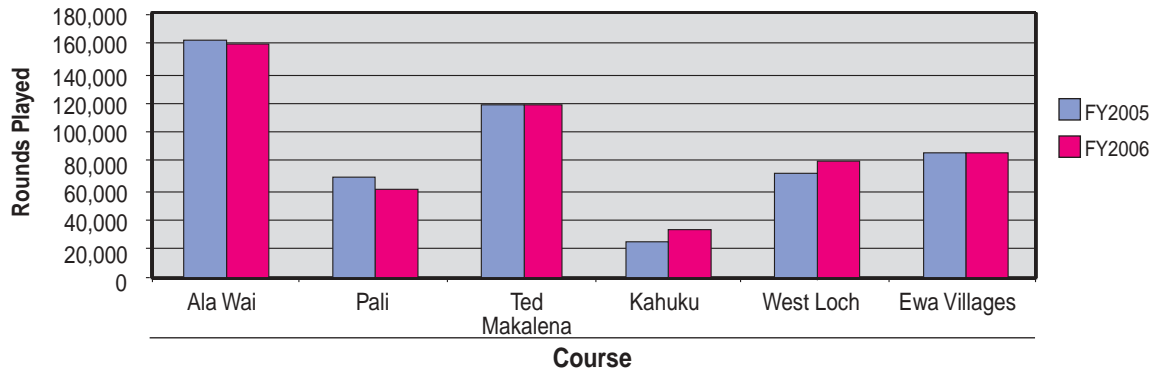
In December 2005, the Golf Course Division launched the City's first Golf Gift Card. Introduced as a way for the public to purchase rounds of golf as gifts for Christmas, the gift cards are now sold year round at the Ala Wai Golf Course and are redeemable at all six municipal golf courses. In June 2006, a special issue Father's Day Gift Card was featured. Fiscal year 2006 sales of the \$25 denomination card totaled 942 (\$23,550). Expansion of the Golf Gift Card program is being explored to include increasing the denominations and the sites where the cards can be purchased.



For the year ended June 30, 2006, system-wide registered play totaled 538,451 rounds and related revenues approached \$7.6 million. The overall increases in the number of rounds played (+1.5%) and the related revenues from green fees and cart rentals (+1.2%) were reflective of the general increase in golf activity nationally and locally. Local golf play was

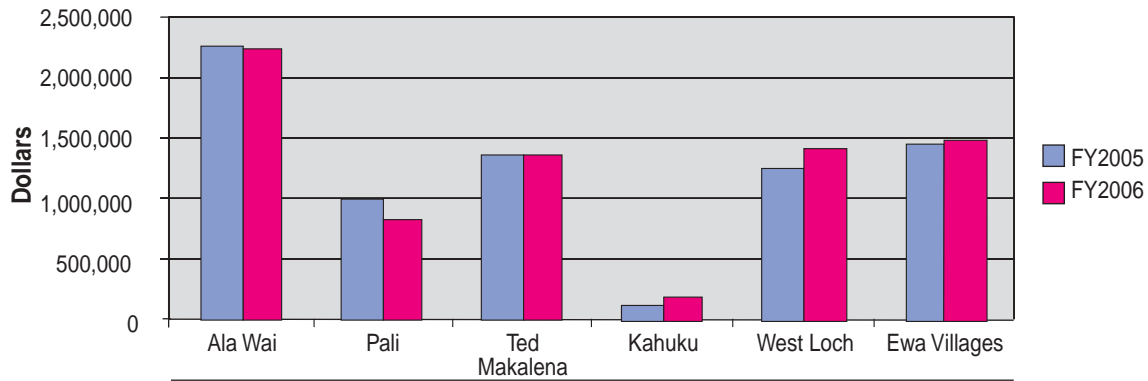
positively impacted by the success of homegrown junior and professional golfers at national tournaments. This surge in interest helped to offset the negative impact on rounds and revenues experienced during March and April as the island of Oahu was deluged with 40 straight days of rain. During fiscal year 2006, golf revenues continued to successfully cover base operating costs excluding debt service.

REGISTERED PLAY



	FY2005	FY2006	% Change
Ala Wai	161,679	159,931	-1.1%
Pali	67,756	60,803	-10.3%
Ted Makalena	118,526	118,907	0.3%
Kahuku	26,016	32,899	26.5%
West Loch	70,557	80,526	14.1%
Ewa Villages	86,072	85,385	-0.8%
	<u>530,606</u>	<u>538,451</u>	1.5%

REVENUES (Green Fees and Cart Rentals)



	FY2005	FY2006	% Change
Ala Wai	2,263,266	2,250,555	-0.6%
Pali	991,870	844,629	-14.8%
Ted Makalena	1,361,952	1,366,950	0.4%
Kahuku	137,568	204,708	48.8%
West Loch	1,264,388	1,431,658	13.2%
Ewa Villages	1,471,875	1,484,181	0.8%
	<u>7,490,919</u>	<u>7,582,681</u>	1.2%

Ala Wai Golf Course

The Ala Wai Golf Course once again garnered the distinction of being the busiest golf course in the world, with over 159,000 rounds of golf played. Despite the heavy play, golf course maintenance standards remained high and the Ala Wai Golf Course was named "Hawaii's Best" municipal golf course by Star Bulletin & Midweek. During fiscal year 2006, the clubhouse's 60-ton air conditioning chiller unit and 30-ton back-up chiller unit were replaced. Both chiller replacements incorporate installation of more energy efficient equipment to reduce electrical costs.

Pali Golf Course

During Fiscal Year 2006, the number of rounds and related revenues at the Pali Golf Course were adversely impacted by inclement weather conditions and the curtailment of club and regular play due to the construction of a new irrigation system. Construction of the new \$1.5 million irrigation system, including new main and lateral lines, valves, sprinklers, controllers, central computer, weather station and booster pump station, started in fiscal year 2005 and is nearing completion. Replacement of the cesspool at the on-course comfort station, and the above-ground fuel storage tanks at the maintenance facility were completed. A new dedicated potable water system and booster pump supplying water to the clubhouse has been installed.

Ted Makalena Golf Course

Local residents continued to patronize this walker friendly course. The conversion to a non-potable water source continues to save the City over \$190,000 a year in water expenses. Course conditions have been significantly improved with the phased replacement of the irrigation system and continued planting of seashore paspalum in bare areas when possible. The on-course seashore paspalum sod farm continues to be cultivated for future plantings. In fiscal year 2006, Ted Makalena Golf Course was one of two courses from Hawaii to be featured in Golf Digest's "A Day in the Life of Golf".

West Loch Golf Course

The number of rounds played at West Loch Golf Course increased to 80,526 in fiscal year 2006, an increase of 14.1%. Flooding conditions, which caused silt to overflow the stream banks and cover the fairways, has been minimal. The thorough dredging of the silt basins throughout the golf course was identified as a major project, and a consultant was selected to design the drainage improvement project in fiscal year 2005. Because of the extensive scope of this drainage project, it has been designed to be completed in several increments.

West Loch Golf Course's unique water driving range with floating golf balls has re-opened with a new pro shop concessionaire. The driving range enhances the golf course usage and is the only range available at the leeward area municipal courses.

Ewa Villages Golf Course

The newest of our municipal courses, Ewa Villages Golf Course, continues to be popular with a wide range of golfers. In Fiscal Year 2006 the rounds played at this course remained steady at 85,385. An extended period of inclement weather caused water and silt to enter the golf course from adjacent water-saturated properties impacting course play. In a collaborative effort between state and city agencies, adjacent landowners, and the West Oahu Soil Conservation District, corrective actions are being taken to identify the source of the silt and to establish best management practices to prevent future runoff.

The City and County of Honolulu continues to promote the beneficial reuse of wastewater effluent and has expanded its customer base for the wastewater effluent reuse program. The Ewa Water Recycling Project is a unique partnership that combines the resources of the public and private sectors to efficiently produce recycled water for golf course and landscape irrigation, and agriculture and industrial processing.

As part of the Ewa Water Recycling Project, the West Loch and Ewa Villages Golf Courses only utilized R-1 reuse water generated by the Honouliuli Wastewater Treatment plant for golf course irrigation, and supplied reuse water to its adjacent communities for common area irrigation. As more development occurs near Ewa Villages, the demand for R-1 water has increased.

A by-product of the reuse water is sludge that is currently being composted with green waste to produce a biosolids compost. With landfill space at a premium, and the City and County of Honolulu's commitment to sustainability, the biosolids compost is being used at all the municipal golf courses to add fertility to newly planted and existing areas.

Kahuku Golf Course

The City's only nine-hole golf course is a gem in the rough. With scenic views of the ocean from practically every hole, it is one of the true links style golf courses on Oahu. In Fiscal Year 2006, Kahuku Golf Course shared the honor with Ted Makalena Golf Course of being one of two courses from Hawaii to be featured in Golf Digest's "A Day in the Life of Golf".

In Fiscal Year 2006, the hours of play were extended at Kahuku Golf Course. Rounds played increased to 32,899 (+26.5%) and related revenues topped \$204,000 (+48.8%)

In Fiscal Year 2006, the Golf Course Division will continue its commitment to improve the quality of services provided to the public in the operation and maintenance of the municipal golf courses.

HONOLULU ZOO DIVISION

The Honolulu Zoo is a 42-acre tropical zoological garden located within the Kapiolani Park. The zoo provides residents and visitors to the islands with opportunities to enjoy and learn about the world's tropical fauna and flora. The zoo's mission is *to inspire the stewardship of our living world by providing meaningful experiences to our guests. The Zoo emphasizes Pacific Tropical Island ecosystems and our traditional values of malama (caring) and ho'okipa (hospitality).*

The Honolulu Zoo Society, a non-profit support organization, has contributed much to the realization of the zoo's mission by raising funds for construction projects and by expanding the scope of the zoo's education program. The Honolulu Zoo is an accredited member of the American Zoo and Aquarium Association.

Three major construction projects aimed at updating antiquated exhibits and service facilities at the Honolulu Zoo were completed during fiscal year 2006. A new 6,000 square foot state-of-the-art veterinary clinic was opened for the medical care and treatment of the Zoo's 1,000+ animal population. The Keiki Zoo which opened in March 2006, is three times larger than the old Children's Zoo and provides a variety of active learning opportunities and animal encounters which have been well-received by our visitors. The Veterinary Clinic and Keiki Zoo represent successful capital projects that were jointly funded by the City and the Honolulu Zoo Society.

A separate collaborative agreement between the City, the Honolulu Zoo Society and the Orangutan Foundation International was structured to provide a new habitat for Rusti the orangutan. The naturalistic habitat is 20 times larger than the

obsolete cage that had served as the interim quarters for the Honolulu Zoo's best-known resident.

The new holding quarters for the elephants is nearly complete. The Honolulu Zoo will continue its programs to artificially inseminate our female elephants Mari and Vaigai.

Ongoing projects will address the improved maintenance of the Honolulu Zoo's facilities and grounds and installation of wayfinding and educational signage; the design and construction of a new entrance/exit complex, and a new classroom for expanded education programs.



Rusti enjoying the new Orangutan Habitat at the Honolulu Zoo.

Attendance and Revenue

Attendance for fiscal year 2006 was 568,952, an increase of 55,021 (+10.7%) from the pre-

vious year. Admissions revenue totaled \$1,547,020, an increase of \$134,133 (+9.5%). Honolulu Zoo Society education programs, including outreach to elementary schools, involved 66,463 students.

Animal Population

The Honolulu Zoo continues to be a leader in the zoo community in the breeding of birds-of-paradise, with four chicks hatched during the past year. Our zoo is also distinguished as a breeding center for the Komodo dragon. Recent acquisitions that will enhance the Honolulu Zoo's breeding and conservation efforts include a male Komodo dragon, a male siamang, four Marianas fruit doves, and a pair of breeding age Sumatran tigers. A pair of miniature zebu cattle and over 25 koi were acquired for the new Keiki Zoo. On loan from the San Francisco Zoo, a female orangutan Violet, was introduced as a companion for the Honolulu Zoo's Rusti.

City-Community-Employee-Partnership

A consultant has been engaged to assess the feasibility of entering into a public-private partnership with the Honolulu Zoo Society. The Honolulu Zoo Society's proposal for a City Community Employee Partnership (CCEP) will be carefully reviewed to ensure that key elements necessary for a successful public-private partnership are in place prior to the CCEP implementation.

American Zoo and Aquarium Association (AZA)

As a member of the Association of Zoo & Aquariums (AZA), the Honolulu Zoo undergoes an accreditation inspection every five years. Concerted efforts to address the accreditation requirements are underway.

In fiscal year 2006, the Honolulu Zoo was named as "Hawaii's Best" family attraction by the Star Bulletin & Midweek. In the coming fiscal year, the Honolulu Zoo will continue its efforts to improve its facilities and customer services and maintain its distinction as "the best" in the hearts of kamaaina and visitors.